



Asset Allocation

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What is Asset Allocation?



Asset allocation is the process by which investment capital is allocated to specific asset classes. It also involves deciding on the geographical and industry mix in an investment portfolio.

What can we LEARN?

- Different asset classes
e.g. cash, fixed income securities, stocks, commodities, insurance, etc.
- Different allocation strategies
Strategic vs Tactical
- Develop research and data analysis skills while doing a mock case
e.g. Monte Carlo Simulation, product pitching, etc

Asset Class Category

1. Equity: Equity assets, also known as “stocks”, represent ownership in a company.

-growth,value,dividend,large cap,small cap,U.S., foreign developed, foreign emerging,public, private,etc

2. Bond: A bond is a loan. Similar to normal credit given to individuals, a bond allows companies or governments to borrow money today and pay it back in the future. The pay back date (also called the maturity date) and the agreed interest rate are carefully spelled out in a legal document.

-TIPS, emerging market,float rate,etc

3. Alternative: An **alternative asset** is a newer type of asset that has not been traditionally considered part of an investment portfolio. Historically, examples include real estate, commodities, as well as rare coins and stamps, artwork or trading cards. More recently, the term has also come to be used to refer to other institutional asset classes including private equity, trading strategy indices, and hedge funds.[1]

-hedge fund, ETFs,etc

Asset Class Category

- **Capital Assets:** fixed assets – long term assets that are not bought or sold in the regular course of business
- **Store of Value Assets:** held and stored for future use, and retain a value when retrieved
- **Commodity Assets:** raw and partly-refined materials, traded for processing into final goods.

Asset Allocation Strategies

- **Strategic Asset Allocation:**

Long-term allocation of an investment portfolio to assets based on an investor's goals and tolerance for risk

- **Tactical Asset Allocation:**

A more dynamic strategy that involves making short-term adjustments to a portfolio's strategic asset allocation to take advantage of particular investment opportunities

Timeline

- **Week 1-4:** Introduce different asset classes
- **Week 5-6:** Introduce two asset allocation strategies (strategic and tactical)
- **Week 7-8:** Gathering background information of the mock case
- **Week 9-10:** Case analysis
- **Week 11:** Monte Carlo Simulation
- **Week 12:** Case presentation